

ORIGINAL



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MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

2006 OCT 20 A 9:22

AZ CORP COMMISSION  
DOCUMENT CONTROL

Date: October 20, 2006

RE: STAFF REPORT FOR ARIZONA-AMERICAN WATER COMPANY -  
APPLICATION FOR EXTENSION OF ITS SERVICE AREA UNDER ITS  
EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY TO  
PROVIDE WATER AND WASTEWATER UTILITY SERVICES IN ITS  
AGUA FRIA WATER AND AGUA FRIA WASTEWATER DISTRICTS  
(DOCKET NO. WS-01303A-06-0242)

Attached is the Staff Report for Arizona-American Water Company's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater utility services in its Agua Fria Water and Agua Fria Wastewater Districts. Staff is recommending approval with conditions.

EGJ:BNC:red

Originator: Blessing Chukwu

Arizona Corporation Commission  
DOCKETED

OCT 20 2006

DOCKETED BY	
<i>John</i>	<i>NR</i>

Service List for: Arizona-American Water Company  
Docket No. WS-01303A-06-0242

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

ARIZONA-AMERICAN WATER COMPANY

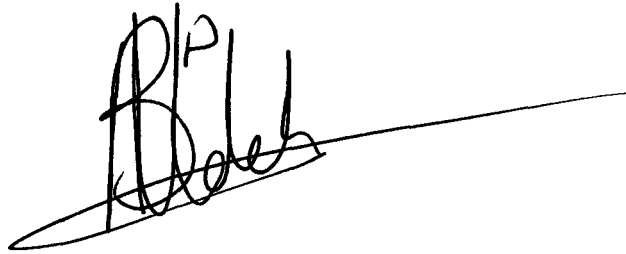
WS-01303A-06-0242

APPLICATION FOR EXTENSION OF  
ITS EXISTING CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE  
WATER AND WASTEWATER UTILITY SERVICES IN ITS AGUA FRIA WATER AND  
AGUA FRIA WASTEWATER DISTRICTS

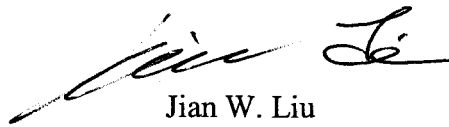
OCTOBER 20, 2006

## STAFF ACKNOWLEDGMENT

The Staff Report for Arizona-American Water Company (Docket No. WS-01303A-06-0242) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Jian W. Liu was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to be 'B. Chukwu', with a long horizontal line extending to the right.

Blessing Chukwu  
Executive Consultant

A handwritten signature in black ink, appearing to be 'Jian W. Liu', with a long horizontal line extending to the left.

Jian W. Liu  
Utilities Engineer

**EXECUTIVE SUMMARY**  
**ARIZONA-AMERICAN WATER COMPANY**  
**DOCKET NO. WS-01303A-06-0242**

On April 12, 2006, Arizona-American Water Company ("Arizona-American" or "Company"), through its Agua Fria Water and Agua Fria Wastewater Districts filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater utility services in portions of Maricopa County, Arizona. On September 15, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-411(C) and R14-2-610 (C).

Arizona-American is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water and wastewater utility services to customers in its various districts located in portions of Maricopa, Mohave, and Santa Cruz Counties in Arizona. According to the Company's Annual Report for the year ending December 31, 2005, the Company provides water and wastewater utility services to approximately 94,000 and 47,000 customers in Arizona, respectively.

By this application, Arizona-American is seeking Commission authority to add approximately 444 acres to its certificated area. The requested area is comprised of a new development known as Sienna Hills and is adjacent to the existing certificated service area. The requested area is located in the Town of Buckeye, Maricopa County, approximately 6.5 miles west of Loop 303 and 0.5 mile north of I-10. Sienna Hills is a master planned community that will consist of approximately 1,070 single family homes, one commercial parcel and several landscaped non-residential tracts.

Based on Staff's review and analysis of the application, Staff believes that Agua Fria water and Agua Fria wastewater systems have adequate production, storage, and treatment capacity to serve the existing certificated area and the proposed CC&N extension area. Staff also believes that the estimated construction costs of \$3,456,399 for the water facilities and \$3,196,952 for the wastewater facilities appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

Staff recommends the Commission approve Arizona-American's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater services in its Agua Fria Water and Agua Fria Wastewater Districts, subject to compliance with the following conditions:

1. To require Arizona-American to charge its Agua Fria Water and Wastewater Districts' tariffed rates and charges in the extension area.

2. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the requested area, within two years of the effective date of an order in this proceeding.
3. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the Aquifer Protection Permit ("APP") that indicates approval of the proposed Wastewater Treatment Plant ("WWTP") within two years of the effective date of the order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona-American be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, and 3 listed above within the time specified.

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## **Introduction**

On April 12, 2006, Arizona-American Water Company ("Arizona-American" or "Company"), through its Agua Fria Water and Agua Fria Wastewater Districts filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater utility services in portions of Maricopa County, Arizona.

On May 9, 2006, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C."). A copy of the Insufficiency Letter was sent to the Company via U.S mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On July 5, 2005 and August 18, 2006, the Company provided additional documentation to support the relief requested.

On September 15, 2006, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of A.A.C. R14-2-411(C) and R14-2-610 (C).

## **Background**

Arizona-American is an Arizona Corporation, in good standing with the Corporations Division, and engaged in providing water and wastewater utility services to customers in its various districts located in portions of Maricopa, Mohave, and Santa Cruz Counties in Arizona. The Company is a wholly-owned subsidiary of American Water Works, Inc., a subsidiary of RWE AG. According to the Company's Annual Report for the year ending December 31, 2005, the Company provides water and wastewater utility services to approximately 94,000 and 47,000 customers in Arizona, respectively.

By this application, Arizona-American is seeking Commission authority to add approximately 444 acres to its certificated area. The requested area is comprised of a new development known as Sienna Hills (formerly known as Tesota Hills) and is adjacent to the Verrado development which is currently served by Arizona-American. The requested area is located in the Town of Buckeye, Maricopa County, approximately 6.5 miles west of Loop 303 and 0.5 mile north of I-10. Sienna Hills is a master planned community that will consist of approximately 1,070 single family homes, one commercial parcel and several landscaped non-residential tracts.

## **Finance of Utility Facilities**

The Company indicated in its application that it will finance the required utility facilities through a combination of advances in aid of construction, contributions, and hook-up fees. Advances in aid of construction are often in the form of Main Extension Agreements ("MXAs").



The Company has entered into Water and Wastewater Line Extension Agreements with the developer, Pulte Home Corporation ("Pulte"). MXAs are standard industry practice. The minimal acceptable criteria for line extension agreements between water and wastewater utilities and private parties are established by A.A.C. R14-2-406 and 606. These agreements generally require the developer to design, construct and install (or cause to be), all facilities to provide adequate service to the development. The developer is required to pay all costs of constructing the required facilities necessary to serve the development. Upon acceptance of the facilities by the Utility Company, the developer conveys the utility facilities through a warranty deed to the Utility Company. Utility Companies will often refund ten (10) percent of the annual water revenue associated with development for a period of ten (10) years.

The water MXA that was filed with the application provides that for water the utility shall refund ten (10) percent of the gross annual revenue received from associated facilities for ten years. This refund provision is consistent with the minimum refund standard in the current applicable rule, A.A.C. R14-2-406(D). For wastewater, the wastewater MXA provides that the utility shall refund ten (10) percent of the gross annual revenue received from the associated facilities for eight (8) years after the facilities are accepted by the utility. The Commission's rule on wastewater MXAs does not require Commission approval nor require a refund of the advance. As such, Arizona-American's refund provision exceeds the minimum refund standard in the current applicable rule.

The estimated project costs for the proposed line extensions are as follows:

Total Water Line Extension:	\$3,456,399
Total Wastewater Line Extension:	\$3,196,952

Staff has reviewed the list of plant items and costs that comprise the totals above and concludes that the estimated construction costs appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant in service was made, and no particular future treatment should be inferred for rate making or rate base purposes.

### **The Water System**

The water system consists of 26 wells<sup>1</sup> that have 22,945 gallons per minute ("GPM") total capacity. Total storage tank capacity is 2.925 million gallons.

Total customers served by the Agua Fria drinking water system are approximately 27,000. The growth projections average approximately 3,300 new service connections per year for the next 5 years.

Staff concludes that the Agua Fria water system has adequate production, storage, and treatment capacity to serve the existing certificated area and the requested extension area.

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<sup>1</sup> one well is currently out of service due to a developer's faulty construction

### **Maricopa County Environmental Services Department ("MCESD") Compliance**

Staff received a compliance status report from MCESD dated April 19, 2006, in which MCESD stated that it has determined that Agua Fria drinking water system (PWS Number 07-695) is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

Arizona-America has filed in the docket, the Certificates of Approval to Construct ("ATC") for Verrado McDowell Road – potable water distribution system of approximately 4,000 linear feet and associated appurtenances and the Verrado McDowell Road – sanitary sewer collection system of approximately 5,800 linear feet, both issued by MCESD on March 14, 2006.

### **Arizona Department of Water Resources ("ADWR") Compliance**

The Agua Fria Water District is located within the Phoenix Active Management Area ("AMA"). ADWR reported that the Agua Fria water system is in compliance with its monitoring and reporting requirements.

Arizona-American does not have a designation of assured water supply for the extension area. As such, Pulte is required to secure a Certificate of Assured Water Supply ("CAWS"). On June 27, 2001, Del Webb Corporation ("Del Webb") an affiliate of Pulte entered an Option and Lease Agreement ("Water Lease") with the Ak-Chin Indian Community ("Ak-Chin") to provide Del Webb with an option to purchase 6,000 to 10,000 acre-feet of surface water per annum for 100 years, paying \$300,000 for the option to lease the right to deliver the required water. Del Webb committed 7,900 acre-feet to serve the Anthem development, and a maximum amount of 238 acre-feet per annum of Ak-Chin water to serve the Arroyo Vista development.<sup>2</sup> According to the Water Line Extension Agreement attached to the Application, if Pulte's Well Facilities fails to meet the minimum pump test requirement of 770 GPM, then Pulte will assign to Arizona-American an amount of Ak-Chin water for use in the development using an agreed-upon equation. The amount of Ak-Chin water to be assigned to the Arizona-American for Sienna Hills development varies depending on well performance, which is not yet known. If the Well Facilities meet or exceed the 770 GPM, minimum pump test requirement, then the Sienna Hills Ak-Chin Water Contribution is zero. The Water Line Extension Agreement further provides that Pulte will cause Del Webb to assign to Arizona-American the right to receive an amount of Ak-Chin water equal to the Sienna Hills Ak-Chin Water Contribution per annum under the Water Lease. According to the Water Lease, the assignment must be approved by the Ak-Chin and the Secretary of the Interior. If either Ak-Chin or the Secretary of the Interior refuses to approve the assignment, then Pulte is obligated to sell or cause the sale of leased water to Arizona-American.

According to the Company's response to Staff's Insufficiency Letter filed on July 5, 2006, the 100-year Assured Water Supply application for this project will not rely upon the

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<sup>2</sup> See Arizona-American CC&N extension application in Docket No. WS-01303A-06-0036.

Sienna Hills Ak-Chin Water Contribution and Pulte Home Corporation will submit its Assured Water Supply application for Sienna Hills to ADWR "in the next 90 days".<sup>3</sup>

Staff recommends that Arizona-American be required to file with Docket Control, as a compliance item in this docket, a copy of the developer's CAWS for the requested area, within two years of the effective date of an order in this proceeding.

### **Arsenic**

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter (" $\mu\text{g/l}$ ") or parts per billion ("ppb") to 10  $\mu\text{g/l}$ . The date for compliance with the new MCL is January 23, 2006. The Agua Fria water system reported the arsenic concentrations ranged from 7 to 18 ppb. The Company has completed the arsenic treatment facilities for the Agua Fria water system, and the arsenic treatment facilities are operational. Agua Fria water system is in compliance with the new arsenic MCL.

### **The Wastewater System**

The Agua Fria wastewater plant (Verrado Water Reclamation Facility ("WRF")) has a design capacity of 450,000 gallons per day ("GPD"). The average daily wastewater influent was approximately 100,000 GPD from January to May of 2006. Approximately 1,900 customers are served by the Verrado WRF. The growth projections average approximately 590 new service connections per year for the next 5 years.

Staff concludes that the Agua Fria wastewater system has adequate treatment capacity to serve the existing certificated area and the requested extension area.

According to the Company, the Developer is considering using effluent in the park parcel and possibly in the larger common areas. There are no golf courses or lakes planned in the extension area.

### **Arizona Department of Environmental Quality ("ADEQ") Compliance**

ADEQ regulates the Company's wastewater system under Inventory No. 105202, Permit No. 27395. ADEQ indicated in a letter dated June 30, 2006 that this system is in compliance with its regulations.

Although the Company has submitted the Certificates of ATC for the Verrado McDowell Road - potable water distribution system and Verrado McDowell Road - sanitary sewer collection system as mentioned above, additional ATCs are required for the remaining facilities

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<sup>3</sup> Staff understands "in the next 90 days" to mean within 90 days from the date the response was filed in docket control.

collection system as mentioned above, additional ATCs are required for the remaining facilities needed to serve the requested area.

Arizona-American plans to expand its Verrado Wastewater Treatment Plant ("WWTP") to 3.72 million gallons per day ("MGD"). Staff recommends that the Company file with Docket Control, as compliance item in this docket, a copy of the Aquifer Protection Permit ("APP") that indicates approval of the proposed WWTP within two years of the effective date of the order in this proceeding.

Arizona-American's Section 208 plan indicates 3,350,000 GPD capacity for the Verrado WRF. The Company will amend its Section 208 plan when average daily wastewater influent approaches this capacity.

### **ACC Compliance**

According to the Utilities Division Compliance Section, Arizona-American has no outstanding compliance issues.

### **Proposed Rates**

Arizona-American has proposed to provide water and wastewater utility services to the extension area under its Agua Fria Water and Agua Fria Wastewater Districts' tariffed rates and charges.

### **County Franchise**

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

Arizona-American filed with the Application, a copy of the franchise agreement it had entered into with the Town of Buckeye.

### **Recommendations**

Staff recommends the Commission approve Arizona-American's application for extension of its existing Certificate of Convenience and Necessity to provide water and wastewater services in its Agua Fria Water and Agua Fria Wastewater Districts, subject to compliance with the following conditions:

1. To require Arizona-American to charge its Agua Fria Water and Wastewater Districts' tariffed rates and charges in the extension area.


2. To require Arizona-American to file with Docket Control, as a compliance item in this docket, a copy of the developer's Certificate of Assured Water Supply for the requested area, within two years of the effective date of an order in this proceeding.
3. To require Arizona-American to file with Docket Control, as compliance item in this docket, a copy of the APP that indicates approval of the proposed WWTP within two years of the effective date of the order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to Arizona-American be considered null and void, after due process, should the Company fail to meet the Condition Nos. 2, and 3 listed above within the time specified.

## MEMORANDUM

DATE: September 29, 2006

TO: Blessing Chukwu  
Executive Consultant III

FROM: Jian W. Liu   
Utilities Engineer

RE: Arizona-American Water Company  
CC&N Extension – Water & Wastewater  
Docket No. WS-01303A-06-0242

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### **Introduction**

Arizona-American Water Company (“Arizona-American” or “Company”) has applied to extend its Certificate of Convenience and Necessity (“CC&N”) for its Agua Fria Water and Sewer Districts to provide water and sewer service to a new development known as Sienna Hills. The developer, Pulte Home Corporation, proposes to develop an approximately 444-acre parcel located in the Town of Buckeye, Maricopa County approximately 6.5 miles west of Loop 303 and 0.5 miles north of I-10. Sienna Hills will have approximately 1,070 residential units and one commercial parcel. The development is immediately adjacent to the Verrado development, which is already served by the Company.

### **Capacity**

#### **Water**

##### **Agua Fria Drinking Water**

The Water system consists of 26 wells<sup>1</sup> that have 22,945 gallons per minute (“GPM”) total capacity. Total storage tank capacity is 2.925 million gallons.

Total customers served by the Agua Fria drinking water system are approximately 27,000. The growth projections average approximately 3,300 new service connections per year for next 5 years.

On April 3, 2006, the Pulte Home Corporation and Arizona-American executed a Line Extension Agreement for water facilities to serve the requested extension area.

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<sup>1</sup> one well is currently out of service due to a developer's faulty construction

The existing and proposed water systems have adequate production, storage, and treatment capacity to serve the existing certificated area and the requested extension area.

### **Wastewater**

#### **Existing Utility Plant**

The Agua Fria wastewater plant (Verrado Water Reclamation Facility ("WRF")) has a design capacity of 450,000 gallons per day ("GPD"). The average daily wastewater influent was approximately 100,000 GPD from January to May in 2006. Approximately 1,900 customers are served by the Verrado WRF. The growth projections average approximately 590 new service connections per year for next 5 years.

On April 3, 2006, the Pulte Home Corporation and Arizona-American executed a Line Extension Agreement for wastewater facilities to serve the requested extension area.

The existing and proposed wastewater systems have adequate treatment capacity to serve the existing certificated area and the requested extension area.

### **Arizona Department of Environmental Quality (ADEQ) Compliance**

#### **Water**

##### **Compliance Status**

ADEQ or its formally delegated agent, the Maricopa County Environmental Services Department (MCESD), reported that the Agua Fria drinking water system (PWS Number 07-695) is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (MCESD report dated April 19, 2006).

#### **Arsenic**

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The Agua Fria drinking water system reported the arsenic concentrations ranged from 7 to 18 ppb. The Company has completed the arsenic treatment facilities for the Agua Fria drinking water system, and the arsenic treatment

facilities are operational. Agua Fria drinking water system (PWS Number 07-695) is in compliance with the new arsenic MCL.

### **Wastewater**

#### **Compliance Status**

ADEQ regulates the wastewater system under Inventory #105202, Permit # 27395. The letter from ADEQ dated June 30, 2006, has indicated the facility is in compliance with ADEQ regulations.

#### **Certificate of Approval to Construct**

The ADEQ issues Certificates of Approval to Construct ("ATC") for facilities needed to serve the requested area. The Company has submitted ATCs for some of the facilities needed to serve the requested area.

#### **Aquifer Protection Permit ("APP") and Section 208 Permit**

Arizona-American will expand its Verrado Wastewater Treatment Plant ("WWTP"). Staff recommends that the Company file with Docket Control, as compliance item in this docket, a copy of the APP that indicates approval of the proposed WWTP within two years of the effective date of the order in this proceeding.

The Company's 208 plan indicates 3,350,000 GPD capacity for the Verrado WRF. Arizona-American will amend its 208 plan when average daily wastewater influent approaches this capacity.

### **Arizona Department of Water Resources (ADWR) Compliance**

#### **Compliance Status**

The Agua Fria Water District is located within the Phoenix Active Management Area ("AMA"). ADWR reported that the Agua Fria drinking water system (PWS Number 07-695) is in compliance with its monitoring and reporting requirements.

#### **Certificate of Assured Water Supply**

The amount of Ak-Chin water to be assigned to Arizona-American for the Sienna Hills varies depending on well performance, which is not yet known. The Company states the 100-year Assured Water Supply application for this project will not rely upon the Sienna Hills Ak-Chin water contribution. Pulte Home



Corporation will submit its Assured Water Supply application for Sienna Hills to ADWR in the next 90 days.

Staff recommends that the Company docket as a compliance item in this docket within two years of the effective date of the order in this proceeding, a copy the developer's Certificate of Assured Water Supply for the requested area.

### **Arizona Corporation Commission Compliance**

According to the Utilities Division Compliance Section (Compliance Section Email dated September 26, 2006), the Company has no delinquent compliance issues with the ACC.

### **Cost Analysis**

Arizona-American and the developer, Pulte Home Corporation, have signed a line extension agreement for water and wastewater facilities. The estimated project costs for the proposed line extensions are as follows:

Total Water Line Extension:	\$3,456,399
Total Wastewater Line Extension:	\$3,196,952

Staff has reviewed the list of plant items and costs that comprise the totals above and concludes that the estimated construction costs appear reasonable and appropriate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.

### **Summary**

#### Conclusions

1. Agua Fria drinking water system (PWS Number 07-695) is currently delivering water that meets State and Federal drinking water quality standards required by the Arizona Administrative Code, Title 18, Chapter 4. (MCESD report dated April 19, 2006).
2. The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. Agua Fria drinking water system (PWS Number 07-695) is in compliance with the new arsenic MCL.


3. The existing and proposed water and wastewater systems have adequate production, storage, and treatment capacity to serve the existing certificated area and requested extension area.
4. The Company is located within the Phoenix Active Management Area ("AMA"). ADWR reported that the Agua Fria drinking water system (PWS Number 07-695) is in compliance with its monitoring and reporting requirements.
5. According to the Utilities Division Compliance Section (Compliance Section Email dated September 26, 2006), the Company has no delinquent compliance issues with the ACC.
6. ADEQ regulates the wastewater system under Inventory #105202, Permit # 27395. The letter from ADEQ dated June 30, 2006, has indicated the facility is in compliance with ADEQ regulations.
7. Staff concludes that the estimated construction costs for water and wastewater systems seem reasonable and appropriate. However, no "used and useful" determination of the proposed plant was made, and no particular future treatment should be inferred for rate making or rate base purposes.


#### Recommendations

1. Staff recommends that the Company docket as a compliance item in this case within two years of the effective date of the order in this proceeding a copy the developer's Certificate of Assured Water Supply for the requested area.
2. Staff recommends that the Company file with Docket Control, as compliance item in this docket, a copy of the APP that indicates approval of the proposed WWTP within two years of the effective date of the order in this proceeding.

**MEMORANDUM**

TO: Blessing Chukwu  
Executive Consultant III  
Utilities Division

FROM: Barb Wells   
Information Technology Specialist  
Utilities Division

THRU: Del Smith   
Engineering Supervisor  
Utilities Division

DATE: July 10, 2006

RE: **ARIZONA AMERICAN WATER COMPANY (DOCKET NO. WS-01303A-06-0242)**  
**REVISED LEGAL DESCRIPTION**

The area requested by Arizona American for an extension for water and sewer service has been plotted using a revised legal description, which has been docketed. This legal description is attached and should be used in place of the original description submitted with the application.

Also attached is a copy of the map for your files.

:bsw

Attachments

cc: Mr. Craig Marks  
Ms. Deb Person (Hand Carried)  
File

# TOWNSHIP 2 North

TR2N3W 24 APR 2001

**LEGAL DESCRIPTION**  
**Sienna Hills**

That portion of Section 36, Township 2 North, Range 3 West of the Gila and Salt River Meridian, Maricopa County, Arizona, described as follows:

**BEGINNING** at a found MCDOT aluminum cap accepted as the Northeast corner of Section 2, Township 1 North, Range 3 West, from which a found MCDOT aluminum cap accepted as the Southeast corner of Section 36, Township 2 North, Range 3 West thereof bears North 89 degrees, 20 minutes, 22 seconds East for a distance of 2464.87 feet;

Thence South 89 degrees 14 minutes 15 seconds West for a distance of 176.68 feet along the south line of said section 36 to the South quarter corner of Section 36, Township 2 North, Range 3 West;

Thence North 00 degrees 01 minutes 53 seconds West for a distance of 1473.81 feet along the north – south mid section line of said section 36;

Thence North 24 degrees 25 minutes 35 seconds East for a distance of 1324.49 feet;

Thence North 45 degrees 25 minutes 06 seconds East for a distance of 1000.00 feet;

Thence North 44 degrees 34 minutes 54 seconds West for a distance of 1300.00 feet;

Thence South 45 degrees 25 minutes 06 seconds West for a distance of 1877.87 feet;

Thence South 00 degrees 25 minutes 06 seconds West for a distance of 304.68 feet to a point on the east – west mid section line of said section 36;

Thence North 89 degrees 48 minutes 43 seconds West for a distance of 986.37 feet along said east – west mid section line;

Thence South 00 degrees 01 minutes 08 seconds East for a distance of 1322.20 feet;

Thence North 89 degrees 47 minutes 47 seconds West for a distance of 659.43 feet to a point on the west line of said section 36;

Thence North 00 degrees 00 minutes 52 seconds West for a distance of 1322.02 feet along said west line to the West quarter corner of said Section 36;

Thence continuing along said west line North 00 degrees 06 minutes 34 seconds West for a distance of 2633.15 feet to the Northwest corner of said Section 36;

Thence South 89 degrees 39 minutes 16 seconds East for a distance of 2640.96 feet along the north line of said section 36 to the North quarter corner of said Section 36;

June 19, 2006

X:\6700\6785\Exhibits\Legals\6785 Sienna Hills Metes and Bounds.doc

Thence continuing along said north line South 89 degrees 49 minutes 47 seconds East for a distance of 2635.22 feet to the Northeast corner of said Section 36;

Thence South 00 degrees 06 minutes 00 seconds East for a distance of 2626.70 feet along the east line of said section 36 to the East quarter corner of said Section 36;

Thence continuing along said east line South 00 degrees 05 minutes 50 seconds East for a distance of 2642.13 feet to the Southeast corner of said Section 36;

Thence South 89 degrees 20 minutes 22 seconds West for a distance of 2464.87 feet along the south line of said section 36 to the **POINT OF BEGINNING**.

The above-described parcel contains a computed area of 19,326,368 Sq. Ft. (443.67 acres) more or less.

Prepared by: CMX L.L.C.  
7740 N. 16<sup>th</sup> Street  
Suite 100  
Phoenix, Arizona 85020  
Project No. 6785  
June 27, 2006



June 19, 2006

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